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WHEAT FACTS

March 1963

Questions and Answers THE WHEAT PROGRAM FOR 1964

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W H E A T F A C T S

Questions and Answers on the Wheat Program for 1964

Basic Questions and Answers

1. What is the wheat program for 1964? Congress has provided a program to bring market supplies into line with demand and to maintain income while supplies are being reduced. Without the program, supplies of wheat would be twice the size needed to meet demand. Whether the program will be fully in effect depends on a key decision to be made by producers in a referendum.
2. What is the question on which eligible wheat producers will vote May 21 in the wheat marketing quota referendum? Eligible growers will vote "yes" or "no" on the question: "Are you in favor of marketing quotas for wheat for the 1964 crop?" With quotas in effect, price support will be \$2 a bushel, national average, on the normal production of 80 percent of the allotted acres and \$1.30 a bushel, national average, for all other wheat produced on allotted acres. Payments will be made for acres diverted from wheat to soil conserving uses.

Without quotas, price support will be available only to those who plant within their acreage allotments and will average around \$1.25 a bushel (50 percent of parity). No diversion payments will be available. Excess production would result in market prices of about \$1 a bushel.

In brief, the question is whether producers favor quotas with \$2 price support and payments or no quotas and a \$1 market price.

3. If growers vote against marketing quotas this time, when will another referendum be held? The law specifies that marketing quotas would again be proclaimed for the 1965 crop, assuming supplies continue to be excessive, and another referendum would be held before June 15, 1964.
4. Assuming a "yes" vote, do we then hold a referendum next year? Yes, a referendum will be held in 1964 for the 1965 crop if stocks are too large. The law provides that a referendum may be held for a specified number of years, one, two, or three. The year or years for which marketing quota referendums are to apply is always announced in advance. The May 21, 1963 referendum applies only to the 1964 crop.
5. What parts of the old wheat legislation were ended by the Food and Agriculture Act of 1962? Effective for 1964 and later years, the law has ended -- regardless of a "yes" or "no" result in the referendum: (1) the 15-acre and 30-acre exemptions; (2) the 55-million-acre minimum national acreage allotment; (3) the diversion programs for wheat such as we had in 1962 and 1963.

6. How can income from wheat be maintained with growers marketing fewer bushels than in the past? Price support at the \$2 level for a large share of the demand is one means. Diversion payments will supplement their income while CCC-owned stocks are being cut to a reasonable level. Better balance between supply and demand will strengthen the market in the future.
7. In case the "no" votes prevail, does the program offer less to producers than formerly in case quotas were rejected? No. The provision is identical to that in effect since 1949. From 1938 to 1949 the law provided no loans if growers voted against marketing quotas.
8. Why does the program treat producers of high and low quality wheat the same? It does not. Producers of high quality wheat will still earn a premium in the loan program and in the market place. Discounts are applied to the less desirable wheat.
9. Does the Marketing Certificate Plan increase control over production or marketing? No. There is little difference in the present program and that for 1964 in regard to controls. However, if a feed grain program should be in effect, the 1964 Wheat Program would be one of the most flexible plans ever adopted for a marketing quota commodity. In either event, there are no penalties on growers who stay within their allotment and maintain their conserving base.

Prices and Allotments

10. Can price-support levels, the percentage of farm normal yield to be covered by Marketing Certificates, or the farm allotment be changed after the official announcements are made? They may be increased or suspended entirely. They cannot be reduced. The minimum limits are those in the official announcements by the Secretary and they cannot be made more stringent for the 1964 crop.
11. If export markets drop considerably below 600 million bushels will farm allotments be reduced? Farm allotments are now based on our needs for wheat for domestic use and exports. They are based on the expected yields required to meet those needs, as expressed in the National Marketing Quota, which cannot be less than 1 billion bushels. The only provision for change of 1964 allotments after the referendum would be for their increase or suspension to meet greater production needs than had been anticipated.
12. Does the law provide that the Secretary can cut acreage more than the 10 percent determined for the first year? Each year the quota is based on supply and demand. It could be increased or decreased. The law also provides the means to work toward increased sales of and income from wheat. Allotments are based on market needs. The marketing quota for any year cannot be less than 1 billion bushels of wheat. The 1964 marketing quota is 1.2 billion bushels. The 1964 national allotment is 49.5 million acres, a 10-percent cut from 1963.

13. While allotments held acreage stable in commercial wheat producing States, is it true that wheat acreage in Vermont went up over 400 percent? No.

The 1964 wheat allotment for Vermont is 310 acres. In 1954, Vermont farmers seeded 816 acres to wheat for grain.

14. How are allotments established for the former noncommercial wheat areas?

The State wheat allotment for noncommercial States was determined in the same way as for States in the commercial area. The total of 1964 allotments for the 10 former noncommercial wheat States is 51,681 acres. An allotment was determined each year for the former noncommercial wheat States but was not issued. This was done to meet the requirements of the law, since only those States with a State allotment of 25,000 acres or less can be designated as noncommercial by the Secretary.

15. Couldn't the U. S. capture an unlimited share of the world market if our wheat were priced under that of other exporting countries? No. Prior

to the adoption in 1949 of the International Wheat Agreement, no country was able to corner the market through price cutting. The IWA was adopted to remedy chaotic conditions in the international wheat trade, conditions that stemmed primarily from low prices. Prices had ranged down to 40 cents per bushel for high quality hard red spring wheat from ports at the head of the Great Lakes.

Many countries that could use more wheat do not have unloading, storage, transportation, or processing facilities to handle more wheat. Other countries use quotas, tariffs, and other devices to restrict imports.

16. Is the U. S. faring worse than other countries in export sales of wheat?

The U. S. is not faring worse than other countries in total exports of wheat. There has been a substantial increase in recent years, due mainly to sales under Government programs. Most of these increased sales have been by the U. S. under P. L. 480 -- sales for local currencies. U. S. sales for dollars have averaged about 150 million bushels per year. Last year, due primarily to short crops in Europe, sales for dollars were a little over 200 million bushels. This year, due primarily to good crops in Europe, dollar sales will be less than 150 million bushels.

17. Is it a fact that the Secretary can drop the support price of certificated wheat as low as 65 percent of parity, or \$1.59 per bushel? To do so would be contrary to the directive from Congress to use the program to maintain farmers' income from wheat. The Secretary has already announced the 1964 price-support rate at \$2 for certificated wheat and the rate cannot now be lowered.
18. Is it true that the price-support rate for non-certificated wheat can be set at any level deemed appropriate by the Secretary, with no minimum price? No. This rate is based on three factors, the world price of wheat, the support rate for feed grain, and the feed value of wheat in relation to feed grains. These factors constitute a minimum floor price.
19. Is it true that the program offers a choice between \$2 wheat and \$1 wheat? Yes. The statement is based on the very simple rules of supply and demand. Production of 1.6 billion bushels of wheat would be expected with no marketing quotas to hold production to needed levels. Price-support loans at about \$1.25 would be available only to growers staying within their allotment. We would very likely have well over 1 billion bushels of wheat looking for buyers. Excess supply in relation to demand would rule the market and set the price. The supply would be very large and demand no greater than now. The only floor to wheat prices would be that provided by feed grain prices.
20. If the referendum fails the gain grower approval, would the Government dump wheat on the market? No. To do so would violate the first basis on which Congress enacted the law, that is, "To improve and protect farm income." Further, the prospect of a crop of 1.6 billion bushels -- farm in excess of all needs -- and of relatively few growers qualifying for price-support loans at 50 percent of parity would undoubtedly drop market prices well below the minimum sales price for CCC-owned wheat (105 percent of the support price plus carrying charges).
21. If growers turn down marketing quotas and the recent world price for wheat should be realized, how would they fare? No class of wheat has an adequate export market for dollar sales to an extent that the crop would be supported by sales abroad.

The Wheat Situation

22. Does each class of wheat stand alone in the market? No. Substitution among classes of wheat can be extensive. Each of the five major classes is involved in the surplus problem. While each class of wheat has its own special uses, none is so distinctive that it is free from substitution by other classes. Both quality and price are considered by millers and other users before they buy.
23. What is the wheat situation at the present time? The Federal Government, alone, now owns about 1 billion bushels of wheat. A carryover of about 1.2 billion bushels, about double the stocks regarded as reasonable and necessary, is in prospect for July 1, 1963.
24. What has been the cost of the present wheat program? The realized losses sustained by the CCC on disposal of wheat and wheat products plus the costs of export payments, IWA programs, the cost of administering acreage allotments and marketing quotas, and the costs of Public Law 480 disposals, in the fiscal year 1962, totaled over \$1.5 billion. CCC carrying charges on wheat alone ran slightly over \$800,000 per day in the fiscal year 1962.
25. What is the situation on Hard Red Winter Wheat, which accounts for 50 percent or more of all wheat grown in the United States? Stocks of Hard Red Winter Wheat at the start of the past three wheat marketing years have exceeded one billion bushels. This represents about four years' domestic needs. Growers of this class of wheat made major reductions in output by taking part in the 1962 Wheat Stabilization Program, but stocks will be about 960-million bushels July 1, 1963.
26. What is the situation on Durum wheat? Carryover stocks from 1957 to 1961 had about equalled one year's domestic market needs for food and seed. Short crops and other factors created a sharp demand during the 1961-62 marketing year and resulted in exports of 16 million bushels. This reduced carryover to a low level, about 5 million bushels. Increased acreage and record yields of Durum in 1962 reversed the situation in carryover stocks. An export subsidy payment has been made available to aid in reducing the supply, which now exceeds three years' total needs for this class of wheat in domestic markets.
27. What is the situation on Soft Red Winter Wheat? Carryover supplies have been prevented from reaching burdensome totals during recent years only by Government subsidy payments on some exports, and by export through Food for Peace programs. This year, export sales for dollars probably will be relatively low. Several countries which bought large quantities last year are expected to buy less because of their improved production prospects.

28. What is the situation on White Wheat? Food for Peace exports have kept White Wheat stocks at a reasonable level. A high percentage -- over 95 percent -- of White Wheat exports are made as grain, and 65 percent of these exports have been through government-financed programs in recent years. Subsidy payments to enable commercial exporters to sell in the world market have recently ranged from 62 to 50 cents per bushel from West Coast ports.
29. What is the situation on Hard Red Spring Wheat? Carryover stocks have exceeded each year's total market needs, for domestic and export markets combined, since 1955 -- about 195 million bushels will be in storage on July 1, 1963. Some 40 million bushels are exported in the average year, more than 20 percent of the average crop. Three of each four bushels shipped abroad move as grain; one in four bushels as flour. On the grain exports, about 25 percent of exports are made through Food for Peace programs. Government payments to enable commercial exporters to compete in the world market have recently ranged from 91 to 57 cents per bushel on shipments from Duluth.

Diversion Provisions

30. Will diversion payments be attractive for subsequent years? Congress has authorized payments for the 1964 and 1965 crops. Any payments for diversion beginning with the 1966 crop would depend on future actions of Congress.
31. Will county diversion payment rates be announced prior to the referendum? Yes, the rates will be based on 30 and 50 percent of the estimated 1964 county (\$2 national average) support rate. The producer can estimate his farm payment rates by multiplying the expected farm normal yield by the county bushel payment rate.
32. Will producers who sign up for additional diversion be required to meet this obligation? Yes. If they do not follow through, all diversion payment will be lost. Any producer who fails to meet his voluntary diversion obligation after signing to do so can, however, meet minimum requirements and be eligible to receive price supports and certificates.
33. After the referendum, will it be necessary for all farms to be signed up for certificates, price support, and diversion payments? A signup will be necessary for growers who want diversion payments. Signup will be for diversion portions of the program only, and will be scheduled near the time the 1964 crop is seeded. Producers with allotments of more than 15 acres, and small farm producers who elect to be allotment growers

who do not sign up for diversion will be eligible to receive certificates and price support if they meet allotment, conserving base, and diversion requirements. The law provides small farm producers must sign the Notice of Allotment to get all these provisions.

34. When will this signup be held? Prior to planting time: For winter wheat, about July; for spring wheat, a period starting about February 1, 1964. These signups will be for both large farms and for small farms that were signed up prior to the pre-referendum cut-off date. This signup plan gives the small allotment farmer the privilege of decision on the amount of acreage to divert at the same time the large allotment producer is making his commitment.

35. Will grazing of diverted acres be permitted? Yes. Grazing during the five winter months will result in no loss of payment. A winter grazing period of October 1 to March 1, or October 15 to March 15 may be chosen by the State ASC Committee -- with DASCO approval -- where conditions make one of those periods preferable to the usual November 1 to April 1 winter grazing period. This selection at the State level will be announced prior to diversion signup.

Grazing during the remaining months of the year will be permitted, with notification to the county committee, and will result in diversion payment at one-half the regular rate. This provision is particularly important to farms with small allotments. These farms will have small acreages diverted. They will be able to avoid the expense and bother of fencing diverted land.

36. Will the substitute crops -- sesame, safflower, guar, sunflower, castor beans, and flax -- be permitted on diverted acres with partial diversion payment? A decision and announcement on this provision of the law will not be made until all possible statistics are available to determine whether or not stocks of these crops are such as to make an acreage increase desirable.
37. If the operator of a farm signed up for additional diversion and the farm is subsequently sold or divided will the new owners and/or operators be bound by the signed intention? No, the agreement will be cancelled. The new operators will be notified of the amount of diversion under the signed agreement and will be given 15 days from date of notice to sign a new agreement. The diversion amount in the new agreement could be decreased or increased except that no increase would be permitted after wheat planting time.

Small Farm Provisions

38. Why is it necessary for producers with allotments of less than 15 acres to register in order to vote in the referendum? The law specifically requires these producers to indicate their intentions before the referendum.

A list of eligible producers must be available to provide for an orderly and proper referendum. ASC Service is obligated by law to conduct the referendum in an equitable manner. This would not be possible without a current record of eligible voters. Growers with small farm allotments who wish to participate as an allotment farm and qualify to vote in the referendum must sign the back of their Notice of Allotment and return the notice to the county ASCS office by May 13.

39. Will a small farm operator who did not elect to participate in the program prior to the referendum be able to sign up for diversion payments after the referendum? No. However, small farm producers that elected to participate prior to the referendum will be eligible to sign up during the pre-planting enrollment period for the diversion part of the program, and for price support and certificates.
40. If a farmer has two or more small farms, must he sign up all of them to be eligible to vote? No, only one. However, he must sign up for each farm he wishes to have in the program.
41. If a farmer has both a large farm and a small farm, must he sign up the small farm (or both farms) to be eligible to vote? No. (See 43.)
42. Will payment be made at the high (50 percent) rate on the small farm when all of the allotment is diverted? Yes. For 1964, diversion payments for farms with allotments of 13.5 acres or less will be computed at the 50 percent payment rate if no wheat is grown and the allotment plus minimum diversion is diverted to conserving use.
43. How do non-participating farmers with allotments under 15 acres market wheat? Through normal trade channels at the open market price. If they have not overplanted they will be eligible for a marketing card indicating that their wheat is not subject to a marketing quota penalty.

Farm Normal Yields

44. Will "proven" yields be accepted? Yes, subject to adjustment for abnormal factors specified in the law. If a farmer establishes his actual yield for 1 to 4 years, the County Committee will give such data due consideration in appraising the normal yield for the farm. If proven for all 5 years (1958-62), the actual yield adjusted for abnormal factors will become the farm normal yield. Seventy-five percent of the 5-year average is a floor provided to avoid undue hardship in adjusting low yields due to loss or damage to a crop during a year; 125 percent of the 5-year average is a ceiling for yields that exceed the average.
45. What will be the effect on other farms of adjustment of one farm's normal yield because of proven production? No immediate effect, if notices of yields were mailed before yields were proven. Proven yields will not be factored to the county yield nor will a charge against the county reserve be required. However, in subsequent years proven yields would be considered in the weighting-out or factoring process.
46. Will county reserves for increases for non-proven yields be required? Yes, a small reserve to provide for errors and appeals (other than proven yields) will be required. The amount of the reserve will be subject to approval by the State ASC Committee.

47. To what extent will yields proven under previous programs be recognized? Yields proven for any year will be considered by the County Committee in appraising a normal yield for the 5-year period. The evidence by which the yield was proven in prior programs need not be resubmitted.
48. Will yields for farms with both irrigated and non-irrigated land be handled the same as under the 1963 Wheat Program? No. A blended yield will be used based on a weighted average of dryland and irrigated yields. This is now being used for 1963 feed grains. The law provides for adjustments for trends. Therefore, adjustment will be made for farms increasing their irrigated acreages.

Normal Conserving Acreage

49. What years will be used for establishment of normal conserving bases? The years 1959 and 1960, with appropriate adjustments. This will be consistent with other diversion programs. County Committees will be authorized to make adjustments to insure flexibility and uniformity in application of the program.

Cross Compliance

50. Will compliance with other crop allotments be required for diversion payments, certificates and price support? Compliance with other marketing quota crop allotments (cotton, tobacco, peanuts, and rice) on the same farm are required by law. (An exception is provided in that 1 acre of peanuts is permitted without an allotment.) Compliance with allotments on other farms will not be required, because the very high penalty rates for overplanting will make this unnecessary.

Certificate Hardship Clause

51. If the wheat crop is planted in a normal manner and lost or damaged, what certificates will CCC buy through the hardship clause? Through County offices, CCC will purchase certificates at a fixed value -- the difference in the high and low support rates -- when production on a farm is less than the certificate allocation.
52. Are there other provisions for purchase of certificates through the hardship clause? Yes. They will be purchased if the amount of wheat used for feed or seed on the farm, or sold in bona fide commercial sales of wheat for seed leaves a balance of less than the certificate allocation.

Double Cropping

53. Will double cropping provisions be continued? Yes. Rules in effect for the 1963 feed grain program will be used.

Penalties

54. Is it true that the law provides penalties of up to \$10,000 or prison sentences up to 10 years, or both, for certain violations by processors and handlers of wheat? For felony violations involving persons who forge or counterfeit marketing certificates, the answer is yes. Similar provisions apply to U. S. currency and Savings Bonds, the Federal income tax, and 1¢ stamps.
55. What penalties does the new law provide with respect to producers? For producers who plant within their allotment and meet the conservation use provisions of the law there will, of course, be no penalty. A marketing quota penalty will affect producers who overplant their allotment and do not store the excess production under bond or deliver the excess wheat to the Secretary. The penalty will be 65 percent of May 1, 1964 parity times the number of bushels of excess production.
- A land use penalty can apply for unauthorized use of cropland acreage equal to a maximum 11.11 percent of the 1964 allotment. The penalty will be 65 percent of May 1 parity times the farm normal yield for unauthorized use of acreage required to be diverted.
56. Can a farmer fail to meet his normal conserving acreage requirements and still avoid a land use penalty? Producers who grow wheat within their 1964 wheat allotment and meet the diverted acreage requirement but fail to comply with the normal conserving acreage requirements for the farm will not incur a land use penalty. However, failure to comply with the normal conserving acreage requirements will cause producers to be ineligible for diversion payments, price support and marketing certificates. To receive diversion payments, price support and marketing certificates, producers who grow within their allotments must meet their normal conserving requirements and devote their diverted acres to conserving uses or to crops designated by the Secretary.
57. Do the land use penalty provisions apply when no wheat is planted on the farm if the operator signed up to participate in the diversion program? Yes, for both small allotment and large allotment farms. However, if the operator of a farm does not apply for a wheat diversion payment and does not plant any wheat on the farm, he will not incur a land use penalty. No payments will be made or certificates issued to growers on these farms.
58. If a producer plants within his allotment, has the required diverted acres but fails to meet the normal conserving acres, is he subject to land use penalty provisions? No. However, he would not be eligible for payment, certificates or price support.
59. What is the maximum acreage subject to land use penalty? It will never be greater than the 11.11 percent of the 1964 allotment.

60. How can land use penalty be avoided? By setting aside an acreage of cropland equal to 11.11 percent of the 1964 allotment on which (1) no crop is produced, or (2) a crop designated by the Secretary as not being in surplus supply is produced thereon (this includes excess wheat stored under bond or delivered to the Secretary) or, (3) the farm is not signed up under the diversion program and no wheat is planted.

Excess Wheat

61. Can a 1964 excess wheat farm release a previous stored excess by underproduction? Yes, to the extent that the normal production of the allotment exceeds the total actual wheat production on the farm. Such farm, however, would have a 1964 marketing quota excess equal to the actual yield multiplied by the excess acreage. The provision of law relating to adjustment to zero excess because of underproduction has been eliminated.
62. Can a producer exceed his 1964 wheat allotment and still qualify for price support and certificates? Producers who grow wheat in excess of their 1964 wheat allotment may place the excess production under bond, or deliver to the Secretary, and avoid payment of marketing quota penalties. These producers will not be eligible for diversion payments. In order to be eligible for price support and certificates and to avoid a land use penalty, such producers must meet their normal conserving acreage requirement and devote their required minimum diverted acres to (1) conserving uses (2) wheat to be stored under bond or delivered to the Secretary or (3) crops designated by the Secretary. This determination applies to small farms for which the operator timely filed on the Notice of Allotment and to all farms with allotments of 15 acres or more.
63. If an excess farm in 1964 has zero production, can the operator receive certificates and redeem them with CCC under the hardship provision? Yes, provided he meets normal conserving and diverted acre requirements and certifies that he intended to store the excess production.

Effect on Livestock Feeders

64. What would be the effect of the 1964 Wheat Program on livestock feeders? The program would benefit them: (1) a limited amount of wheat grown on allotment acreage would be available for livestock feed. This would be non-certificated wheat, priced relative to its feeding value in comparison with feed grains, the support level for feed grains, and the world market price; (2) feed priced too cheaply means cheap livestock -- more farmers move into livestock production, more livestock hits the market, and prices are depressed; (3) if the livestock man is also a wheat grower, he may participate in the diversion program without the need to fence off diverted acres.

Interchange of Acreage

Assuming Feed Grain Legislation for 1964....

65. With a feed grain acreage diversion program in effect, would the provision for swapping feed grain for wheat acres depress feed grain prices? No.

Wheat grown on feed grain base acres would be in place of, not in addition to, feed grain that would otherwise have been produced. In addition, a part of the feed grain base acreage would be diverted to conserving use. Total grain acreage would be reduced. Total grain production would be decreased. The provision for swapping acreage could be adjusted for future years if it appeared to be resulting in hardship for producers of either wheat or feed grains. The support price for wheat from feed grain acreage would be at a level high enough to avoid unfair market competition with feed grains.

66. What would be the effect if a producer with a wheat allotment and feed grain base substituted wheat for feed grains? Certificates for the farm would be based on only the wheat allotment. The low price support level would be available on the balance of his production.

Wheat history credit would be earned in the amount of the wheat allotment, assuming adequate planting. No wheat history credit would be given on wheat planted on the feed grain base.

67. What about a producer with excess stocks? He could deplete his excess stocks to the extent he underplanted the combined wheat allotment and feed grain base. In no instance, however, could he deplete stored "hot" wheat in excess of the normal production of the wheat allotment.

Underproduction could enable him to remove excess wheat to the extent that the normal production of the wheat allotment exceeds the total production of wheat on the farm.

68. With feed grain legislation, what would result if a producer with a wheat allotment and a feed grain base produced feed grain on the wheat allotment? The producer's wheat marketing allocation -- his share of certificates -- would be reduced. Wheat certificates are issued only on acreage actually devoted to wheat. Price support would be available at the level provided for the feed grain produced.

Wheat history would be credited up to the allotment.

Underplanting of the combined wheat allotment and feed grain base would permit the producer to deplete excess stocks ("hot" wheat). But in no instance would he be permitted to deplete "hot" wheat stocks in excess of the wheat allotment.

69. When substitution is permitted, and the production on acreage actually devoted to wheat is less than the certificate allocation, what can be done with the balance of certificates? County offices will purchase unused certificates at a fixed value (see question 55), or the producer could market a quantity of wheat from previous years to equal the unused certificate allocation.
70. How would acreage be classified which was seeded to wheat, lost due to natural causes, and replanted to sorghum prior to the disposition date for wheat? The producer can choose: If he elects to call it wheat acreage, he will get certificates and history credit, but no support on sorghums. If he elects to call it sorghum he will be eligible for support on sorghum, but get no certificates and no wheat history credit. If replanting to sorghum takes place after the wheat disposition date, the acreage must be regarded as wheat.

If the Referendum Fails...

71. Will the Department favor new legislation? No. (See Presidential message on farm legislation.... "New legislation for wheat is neither necessary nor feasible this year.")
72. Would over-planting result in a reduction of history credit for future allotments? Yes. Allotments continue in effect under the law. No storage of excess to avoid reduction of allotment could be permitted because there would be no marketing quota.

